



County of Los Angeles  
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**WILLIAM T FUJIOKA**  
Chief Executive Officer

January 17, 2008

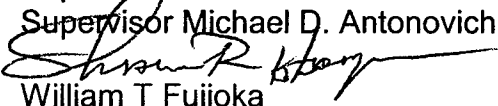
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To: Supervisor Yvonne B. Burke, Chair  
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From:   
William T Fujioka  
Chief Executive Officer

**REPORT AND RECOMMENDATIONS REGARDING HOSPITAL MEDI-CAL  
REIMBURSEMENT DISPARITIES - (RELATES TO AGENDA ITEM NO. 20 -  
JANUARY 22, 2008)**

On November 27, 2007, the Chief Executive Officer (CEO) was directed to work in collaboration with the Director of the Department of Health Services (DHS) and the California Medical Assistance Commission (CMAC) to address the Medi-Cal reimbursement rate disparities between Southern and Northern California, as well as to work with the California Department of Health Care Services (CDHCS) to examine the disparities in the denials of Treatment-Authorization-Requests (TARs) between Southern and Northern California. This memorandum is in response to that direction.

Specifically, the CEO and DHS were directed to: 1) immediately engage CMAC and CDHCS to explore an administrative remedy to both issues, as well as examine the feasibility of legislative relief should administrative relief not be expeditiously available; 2) engage other Southern California healthcare providers and counties to collaborate on achieving parity on both issues for the entire geographic region; 3) prepare and send a five-signature letter to the Governor, the Los Angeles County State legislative delegation, the Secretary of the California Health and Human Services Agency, and all members of CMAC, expressing the Board's grave concern with regard to the disparities in the Medi-Cal Program and the TAR denial rate and to request administrative or legislative relief; and 4) report back to the Board with findings and recommendations at the January 22, 2008 Board of Supervisors meeting.

Prior to this Board motion and in conjunction with the Hospital Association of California, the Department of Health Services took a number of actions to address regional disparities in Medi-Cal reimbursement rates and TAR denial rates, and to pursue resolution of the negative impacts to Southern California hospitals.

### **Private Hospital Contract Medi-Cal Rates**

On October 10 and 11, 2007, representatives from DHS and the Hospital Association of Southern California (HASC), along with a delegation of private hospitals met with the State's CMAC staff, and met subsequently with the Commission itself, to describe the status of health care services in the South Los Angeles area and to discuss the impact of the regional Medi-Cal reimbursement disparity. The closure of Martin Luther King, Jr. – Harbor Hospital (MLK-H) marked the sixth hospital to close in and around the South Los Angeles region since 2004. MLK-H accounted for 40 percent of the total loss of emergency department (ED) visits among these closures. In addition to the devastating effects of the closures, the 2006 CMAC Annual Report revealed that the average contractual reimbursement rate to Southern California hospitals is 17 percent lower than what hospitals receive in other regions, particularly the San Francisco region. It was noted by all that no one “fix” would resolve the deficits faced by the few remaining hospitals in the South Los Angeles area but that resolution of this reimbursement disparity could be one significant factor that would assist in stabilizing the remaining hospitals.

The action taken by DHS to advocate to CMAC on behalf of the private sector hospitals in this system was an effort to stabilize the system and prevent further ED and hospital closures. It should be noted that the outcome of Medi-Cal reimbursement negotiations between CMAC and participating hospitals is an individual contractual rate of reimbursement for each hospital and cannot be disclosed publicly.

### **TAR Denials Affecting Public and Private Hospitals**

Over the past two years, DHS met several times with CDHCS to investigate issues surrounding the unusually high number of TAR denials experienced by the Department's hospitals and recommended a study be conducted to determine causal factors and trends. It became apparent in discussion with HASC that many hospitals in the Los Angeles County area, both public and private, were experiencing similar high rates of TAR denial. Beginning in March 2006, CDHCS conducted a TAR Study, comparing field offices in various regions of the State. Findings of this study were presented to the Department and HASC on December 20, 2007. In fact, that study showed that the percent of TAR denials from the Los Angeles Field Office was significantly higher than the denial rate from other Field Offices, such as Fresno, San Bernardino and San Francisco. One significant factor identified was the sheer volume of requests handled through the Los Angeles Field Office as compared to other field offices.

Since that time, CDHCS has presented a "Plan to Recalibrate Field Office Performance to Achieve Better Consistency in the Adjudication of TARs." The plan would reduce the range of field office adjudication results on TARs to the lowest reasonable tolerance, and demonstrate to hospital providers and provider associations that CDHCS is committed to improving the consistency of TAR adjudication. The implementation of this plan is targeted for this month with a one-year timeline for full implementation. Meaningful data may not be available for 12 months or more.

In response to your Board's direction, five-signature letters were sent on December 12, 2007 to the Governor, the Los Angeles County State legislative delegation, the Secretary of the California Health and Human Services Agency, and all members of CMAC, expressing the Board's grave concern with regard to the disparities in the Medi-Cal Program and the TAR denial rate and to request administrative or legislative relief. The Director of the Department of Health Services has scheduled follow-up conference calls with the Secretary of the California Health and Human Services Agency and the Executive Director of CMAC later this month.

We are seeking to engage other health care providers and affected counties to work on gaining parity on these issues through our membership and collaboration with the Hospital Association of Southern California.

### **Recommendations**

The Director of DHS and the CEO agree that it would be premature to consider a legislative remedy to this issue before administrative solutions are exhausted. Therefore, we recommend that DHS and this Office: 1) continue to hold follow-up discussions with CMAC, CDHCS, and the Secretary of the California Health and Human Services Agency; 2) monitor and assist in the progress of the CDHCS's "Plan to Recalibrate Field Office Performance to Achieve Better Consistency in the Adjudication of TARs;" and 3) continue to engage other health care providers and counties to collaborate on seeking a solution to these issues.

We will keep your Board advised on the progress of these efforts.

WTF:GK  
MAL:MS:hg

c: Executive Officer, Board of Supervisors  
County Counsel  
Department of Health Services